



## State of Rhode Island and Providence Plantations

State House  
Providence, Rhode Island 02903-1196  
401-222-2080

Donald L. Carcieri  
Governor

May 5, 2010

The Honorable V. Susan Sosnowski  
Chair, Senate Committee on Environment and Agriculture  
State House - Room 219  
Providence, RI 02903

Dear Chairwoman Sosnowski:

I am appearing before you today to express my unqualified support for S-2819, *An Act Relating to Public Utilities and Carriers – Contracting Standard for Renewable Energy*. Passage of this legislation in a timely manner is critically important to ensuring that Rhode Island has the opportunity to continue to be a leader in developing an off-shore wind industry that can power our grid and our economy.

Last year, the General Assembly passed, and I signed into law, long-term contracting legislation to facilitate the development of renewable energy projects to enhance environmental quality, stabilize long-term energy prices, reduce our dependence on imported fossil fuels, and create jobs in the emerging green economy. We backed up a commitment to secure at least 15 percent of our electric generation from renewable sources, made several years earlier, by requiring Rhode Island's electric distribution company to enter into long-term contracts, making it possible for developers to secure the financing necessary to develop this promising industry.

Key to the State's economic development and renewable energy agenda was the proposed Block Island Demonstration Wind Project. The opportunity to be the first state in the nation to construct an offshore wind farm presents significant advantages to our state, including attracting the jobs and investment dollars of offshore wind turbine manufacturers and related businesses. We have not lost this opportunity yet, but are at risk of doing so unless this legislation is enacted.

I believe this project, a \$200 million investment of private capital, will be a catalyst for a multi-billion dollar industry. According to the Renewable Energy Policy Project, just five states - Maine, Connecticut, Delaware, Massachusetts and Rhode Island - could create more than 16,000 good-paying and long-term manufacturing jobs from this industry, and Quonset Point has the potential to be the "Silicon Valley of Renewable Energy".

We all understand the risk inherent in being first, which is one of the primary reasons for investing in a demonstration sized project. Accordingly, the proposed Block Island project only represents approximately 1 percent of the state's power needs (a percentage that will gradually diminish over the 20 year life of the contract). The knowledge gained from building this project will inform and improve larger scale, utility sized projects and help us to reduce the costs of those projects. A long term power purchase agreement necessarily establishes a price that is different from the short term public offer or spot market price, in the same way that long-term and short-term interest rates differ, because of fluctuations in price over time. No one can tell with any confidence what oil and natural gas prices will be one year, five years, ten years or twenty years from now. I believe, however, that history will prove to us that the price of the long-term investment made today is fair, equitable and competitive.

Furthermore, S-2819 addresses the concern over pricing by mandating an "open-book" to provide a maximum level of transparency to the Block Island project that should result in savings to our ratepayers. The power purchase price from a new contract to be negotiated between National Grid and Deepwater Wind cannot exceed the price in the original power purchase agreement, and will be adjusted downward if project costs are less than currently projected. These changes are significant and demonstrate the legislature's commitment to ensuring that our ratepayers receive the best deal possible.

Lastly, the approval process for this Power Purchase Agreement is robust. The legislation requires that four state agencies review the Power Purchase Agreement ("PPA") and certify it to be in the public interest. The General Assembly, not the Public Utilities Commission, establishes policy and is the proper body to assign regulatory authority to make determinations about demonstration scale projects. The approach incorporated into this legislation allows for a thoughtful review by several different state agencies. This process is preferable to simply closing the door on this project and this industry.


We live in the midst of one of the most serious economic downturns since the Great Depression. Despite that, however, Rhode Islanders have the opportunity to lead the

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United States in the development of a new and exciting industry. It comes with risks, but is far preferable to relying on fossil fuels exclusively for electric generation over the next 20 years.

I urge this Committee and the full Senate to support this critically important legislation, and allow Rhode Island to lead the nation in the development of offshore wind.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald L. Carcieri". The signature is fluid and cursive, with the first name "Donald" and last name "Carcieri" clearly distinguishable.

Donald L. Carcieri  
Governor

cc: Senate President M. Teresa Paiva Weed  
Senate Minority Leader Dennis Algiere  
Honorable members of the Committee on Environment and Agriculture